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Com. Aid and Trade Activities in Less Dev. Countries, Mar 1975 ER RP 75-13

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*Communist Aid and Trade Activities
in Less Developed Countries, March 1975*

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ER RP 75-13
April 1975

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During March, Iran continued efforts to assure future supplies of food and raw materials from Communist sources with the extension of a \$160 million credit to Bulgaria, to be repaid in agricultural products, and an offer of a \$200 million advance payment to North Korea against raw materials imports. Egypt, Iraq, and Syria agreed in principle to the establishment of a joint Soviet-Arab bank. Soviet relations with India grew cooler with Moscow's demand that New Delhi revalue repayments on outstanding debts by up to \$500 million. Soviet jet fighter deliveries to Egypt, resumed in February, continued during the month. Indian dissatisfaction with proposed Czech jet trainer delivery schedules may mean a large new contract for Polish trainers.

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India Considering Purchase of Polish Trainer Aircraft 5

India is reevaluating the Polish TS-11 trainer, rejected last year in favor of the Czech L-39, because of slow delivery schedules proposed under the Czech contract.

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India [REDACTED] MIG-21s in mid-March, believed to be aircraft returning from overhaul in the USSR.

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Iran Extends Large Credit to Bulgaria 7

Iran will provide its first development credit to a Communist country under a \$160 million agreement to assist Bulgaria's agriculture and livestock industries.

Iran and North Korea Negotiate Major Trade Deal 7

Iran and North Korea signed a letter of understanding specifying total trade approaching \$700 million over the next 5 years. Tehran reportedly has offered a \$200 million advance payment against imports.

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Syria has ratified a contract allocating \$95 million of Romanian development credits to finance foreign exchange costs for a superphosphate plant at Homs.

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COMMUNIST AID AND TRADE ACTIVITIES IN LESS DEVELOPED COUNTRIES

March 1975

General

Proposed Soviet-Arab Bank

The Cairo press reported in March that Egypt, Syria, and Iraq have approved in principle the establishment of a joint Arab-Soviet bank. No other details were revealed. The Arab League had previously endorsed the concept of joint-venture banks with socialist countries. The proposal is expected to be discussed further when officials of the three countries attend celebrations for the 50th anniversary of the Soviet Foreign Trade Bank in Moscow in May. (Unclassified)

CEMA Bank Fund for LDCs Inactive

Private criticism by LDC officials of the Communist multilateral institution for channeling aid to LDCs came to light during the month. The CEMA International Investment Bank fund, designed to provide credits for CEMA-sponsored projects in the Third World, has not extended a single credit since it began operation in January 1974. Several LDCs reportedly have applied for credit, but have been turned down because the proposed project was not significant enough for CEMA financing or because the hard currency component was too high. The capitalization of the fund was announced at 1 billion rubles, plus an unspecified amount of hard currency. It also is possible that transactions have been held up because member countries have not fully subscribed to their share in the fund. (Confidential)

Africa

Congolese President Visits Moscow

Congolese President Ngouabi made his first state visit to the USSR in late March in an attempt to improve the indifferent relations that have prevailed between

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the two countries in the past few years. The two sides announced new economic and technical agreements in industrial development, mining, health care, and geology. Inasmuch as most of the US \$18 million in Soviet economic assistance provided earlier has been drawn down, new credits would be required to implement the new agreements. (Secret)

Ngouabi probably requested a speed up in Soviet military support. Only half of the \$14 million of Soviet military equipment contracted for through 1970 has been delivered. (Secret)

Gambia Requests Military Equipment from the USSR and China

Gambia is pressing Communist donors to increase the capabilities of its only defense element - a 600-man police force - by providing small arms, antiaircraft and coastal guns, a patrol craft, and a gunboat on a grant basis. Peking reportedly already has agreed in principle to an early 1975 Gambian request and will send a technical team to Banjul to study arms requirements. Gambian President Jawara planned to ask the USSR for the same items during his visit to Moscow in March. (Secret No Foreign Dissem)

Recent Moroccan Relations with the USSR and China

Morocco and China signed their first economic cooperation agreement in Peking in mid-March. Under the pact, China will provide at least \$40 million for the construction of a 60,000-seat olympic sports stadium in Rabat. Peking also agreed to assign medical teams to southern Morocco and to establish three acupuncture clinics. (Secret No Foreign Dissem)

The two sides also concluded a new long-term trade agreement to exchange Chinese tea for phosphates. The new pact replaces former barter arrangements with hard currency settlements. In 1973, Morocco supplied 75% of China's phosphate rock imports, about 30% of China's total consumption requirements. Peking's aid initiatives may have been dictated by its desire to assure supplies of this important raw material over the long term. (Secret No Foreign Dissem)

Soviet economic interests in Morocco reportedly received a setback later in the month when Rabat rejected a preliminary multimillion dollar Soviet bid to construct a powerplant at Kenitra. Moscow has protested the decision, but King Hassan is said to oppose further Soviet assistance to Morocco's vital public utilities. Soviet-built generating facilities already account for one-third of Morocco's electric power output. (Secret No Foreign Dissem)

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***French Firm Participates in Soviet-Nigerian
Steel Plant Negotiations***

A French consulting firm was employed to mediate Soviet-Nigerian differences over the preliminary report for a proposed steel plant in Nigeria. Nigerian officials disagree with Soviet projections on capacity, location, infrastructure requirements, and the timing of construction. (For Official Use Only)

The French firm, which already is involved in planning for several reduction plants in Nigeria, has recommended that the USSR proceed with plans for a one-million-ton-capacity plant. Lagos objects to the long lead time (nearly 10 years) required to put the plant on stream because domestic demand for steel is increasing. In the meantime, Nigeria intends to go ahead with independent plans to build five 500,000-ton direct reduction plants, two of which are to be completed by the end of Nigeria's third development plan (1975-80). (For Official Use Only)

Soviet-Nigerian negotiations on the steel plant have grown increasingly bitter, as the Nigerians have become restive with Soviet foot-dragging. Preliminary studies of Nigerian resources were begun by Soviet geologists in 1968, but the proposal for the complex was not submitted until October 1974. It still is not clear that agreement on the financing of the project has yet been reached. (Confidential)

Latin America

Recent Soviet Trade Initiatives in Latin America

The USSR conducted a dynamic trade campaign in Latin American countries during March as high-powered delegations visited Argentina, Brazil, Colombia, Peru, and Uruguay to discuss conclusion of trade and aid contracts. (For Official Use Only)

Soviet officials offered Colombia and Peru 10-year financing for purchases of machinery and capital goods. A delegation led by Deputy Minister of Foreign Trade Manzhulo signed an open-ended agreement with Colombia for 5% credits repayable over 10 years after one year's grace. Colombia hopes to finance Soviet participation in two hydroelectric projects under the new agreement. Moscow appears particularly interested in selling subway and textile equipment to Peru, but no firm agreements were reached. A Soviet offer to provide 10-year equipment credits repayable at 3%-3.5% is still under study by Peru. (For Official Use Only)

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Promotion efforts in Argentina and Brazil were concentrated on sales of equipment for hydroelectric projects. The USSR reportedly obtained a contract for the Sobradinho power project in Brazil under the Patolichev protocol, believed to have been renegotiated recently. The original 1966 protocol provided \$85 million in trade credits. The terms of the new deal are not known, but Brazil was seeking to tie equipment purchases to the sale of Brazilian manufactures. Contracts under the renewed protocol will supplement exchanges under existing trade accords that call for an estimated annual turnover of \$250 million, with the USSR importing Brazilian coffee and sugar in return for petroleum products. Argentine and Soviet officials discussed Soviet supply of designs and equipment for power projects and signed a sales contract for Argentine beef. (For Official Use Only)

Talks in Uruguay also centered on Soviet beef purchases. An estimated \$70 million beef deal has been under negotiation since January. If concluded, it would represent Moscow's first beef purchase from Uruguay and would account for nearly one-half of Uruguay's annual beef exports. In late March, the USSR delivered 353,000 barrels of petroleum to Uruguay, its first shipment to the country since the mid-1960s, when the USSR was one of Uruguay's major crude oil suppliers. (For Official Use Only)

New Chinese Credit to Guyana

On 14 March, China extended an additional \$10 million credit to Guyana to finance equipment and technical services. The agreement reportedly will become effective on 1 January 1976 and may be used for hospital construction or a small steel mill. Chinese pledges to Guyana now stand at \$36 million, repayable over 10 years after 10 years' grace. China's earlier assistance is for construction of a textile mill, a brick and tile factory, and a glass plant, but little has been drawn. (For Official Use Only)

Near East and South Asia

Afghanistan and USSR Sign Annual Barter Agreement

Afghanistan and the USSR signed their annual barter protocol in February calling for the exchange of Soviet petroleum products and sugar for Afghan natural gas and cotton. The petroleum and gas trade alone will reach a value of \$70 million in 1975. Soviet petroleum products will fill more than two-thirds of Kabul's annual

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requirements of roughly 5,000 barrels per day. Afghanistan is one of two foreign suppliers of natural gas to the USSR, providing about 20% of Moscow's imports. Iran delivers the remainder. (Confidential)

Bangladesh Negotiating First Hungarian Credit

Bangladesh is completing negotiations with Hungary for a \$10 million commodity credit. The agreement is Budapest's first with Dacca and represents the first Hungarian credit allocation for commodities. Terms of the agreement and types of commodities involved were not reported. Hungarian exports to Bangladesh have concentrated heavily on machinery and chemicals, with only minor commodity trade in the past. (Unclassified)

Soviet Fighter Aircraft Deliveries to Egypt

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The USSR is continuing to deliver fighter aircraft to Egypt under an arms agreement reached in 1973. The USSR resumed shipments in February, and deliveries in March. [REDACTED] MIG-21s [REDACTED] SU-20 fighter bombers. Deliveries of fighter aircraft to Egypt under prewar contracts are likely to [REDACTED] MIG-21s, [REDACTED] SU-20s, and [REDACTED] MIG-23s in the next few months. (Secret No Foreign Dissem)

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India Considering Purchase of Polish Trainer Aircraft

The slow delivery schedules proposed for the Czech L-39 trainer/light attack aircraft ordered last December* may result in Indian orders for the Polish TS-11 trainer instead. Indian air force officers were in Poland in March to reevaluate the aircraft, which was rejected in favor of the L-39 last year. A Polish negotiating team, scheduled to visit India later this spring, is expected to offer quick delivery of 50 to 100 aircraft on favorable terms. Warsaw reportedly is asking \$315,000 per aircraft, to be repaid in rupees as part of an unspecified barter arrangement. (Confidential)

The Indian air force's shortage of trainer aircraft apparently has become more critical since it ordered the L-39, known to be in short supply, last year. The T-6 trainer now in use is to be phased out this year, and the domestic HJT-16 trainer cannot be produced in needed quantities. (Confidential)

* See the *Monthly Report* dated January 1975.

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Maintenance of Soviet Aircraft Purchased by India

A Soviet merchant ship [REDACTED] MIG-21 crates in India in mid-March, but these are believed to be Indian air force fighters returning from overhaul in the USSR. India has shipped a minimum [REDACTED] MIG-21s to the USSR during the past year. The air force, plagued by maintenance problems, hopes eventually to have 65 of its estimated 190 MIG-21s overhauled in the USSR. Three TU-124 transports also will be flown to the USSR for overhaul later this year. (Secret No Foreign Dissem)

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USSR Demands Revaluation in Indian Repayments

Strains in the Soviet-Indian economic relationship were further exacerbated in March by Soviet demands that India revalue repayments on outstanding debts to the USSR by almost \$500 million because of the decline in the value of the rupee. Moscow is invoking a gold clause in its previous aid contracts that specifies the gold content of the Indian rupee in which repayments are to be made. New Delhi claims that agreements currently in force call for repayment in rupees at a fixed rate of principal and interest, but Moscow insists on revaluing accounts outstanding based on the changed value of the rupees, as provided in most of its agreements. High-level meetings on a new rupee-ruble exchange rate were convened in mid-March, but no agreement was reached. (Secret)

Iraqi-Hungarian Military Negotiations

During the first quarter of 1975, Iraqi-Hungarian negotiations were under way on several military supply contracts valued at a minimum of \$14 million. Some of these accords probably were signed. (Secret No Foreign Dissem)

Hungary is a relatively new military supplier to Iraq. Since concluding its first agreement in late 1971, Budapest has sold Iraq equipment valued at \$45 million. Only the 1971 agreement for \$15 million involved credits; the remainder have carried commercial terms. (Secret No Foreign Dissem)

Iraq Signs New Agreements with the USSR

A Soviet industrial delegation to Baghdad signed a contract to build a powerplant at Nasiriyah, costing almost \$300 million. The Soviet portion of the project - the installation of four 120,000-kw turbines, with associated civil

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engineering and technical services — will be financed under a \$222 million credit extended in 1971. The first unit is to be in operation in three years. The Nasiriyah plant will be the third Soviet power project in Iraq and reportedly will largely satisfy the requirements for electric power in the industrial south. (For Official Use Only)

The Soviet Deputy Foreign Trade Minister also was in Baghdad during the month to conclude a trade protocol for 1975. Iraqi petroleum deliveries on Soviet account probably were a major topic discussed. No value for proposed exchanges this year was announced, but last year's turnover was reported at \$1.3 billion. (For Official Use Only)

Iran Extends Large Credit to Bulgaria

In early March, Iran completed negotiations on its first development credit to a Communist country. Tehran will provide Bulgaria's agricultural and livestock industries with \$160 million to produce goods for export to Iran. The credit will be drawn down over the next four years. The credit differs from the \$15 million accord with Poland in 1973 that provided financing for imports of Iranian goods. (For Official Use Only)

Iran is pursuing other credit arrangements with Communist countries. Tehran and Moscow are working out details of a February Iranian agreement in principle to provide credits to the USSR to build a paper complex; repayment will be in plant products. Tehran recently offered a \$100 million credit to Warsaw to help establish a Polish paper plant in which Iran would hold equity — an arrangement prohibited by Polish law. Romania has requested a \$250 million credit from Iran, which probably would be repaid in agricultural products. (Secret No Foreign Dissem)

Iran and North Korea Negotiate Major Trade Deal

Iran and North Korea signed a letter of understanding in March calling for two-way trade of up to \$700 million over the next 5 years. Iran reportedly offered a \$200 million advance payment against imports, similar to terms offered over the past few months to several other Communist countries. A formal 5-year agreement is expected to be signed later this spring. (For Official Use Only)

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Under the agreement, Iran would purchase 1 million tons of corn, 1 million tons of steel ingot, and 500,000 tons of cement, as well as fertilizer and food products. No mention was made of proposed North Korean imports. Iran's willingness to extend advance payments is part of a continuing effort to assure the procurement of commodities in short supply now and to hedge anticipated future shortages. Until now, Iranian trade with North Korea under their first agreement, signed in 1973, has been negligible. (For Official Use Only)

Large New Romanian Contract with Syria

Syria has ratified a contract signed during Romanian President Ceausescu's visit to Damascus in February, allocating \$95 million of Romanian development credits to finance foreign exchange costs for a triple superphosphate plant at Homs. About half of the cost of the 450,000-ton plant will be financed by Romania. Almost \$35 million of the credits will be provided in hard currency for equipment from third countries, with the remainder going for equipment and materials from Romania. The Syrian-financed portion consists of \$50 million for local costs and \$25 million for foreign technical services and licenses. (For Official Use Only)

OTHER ACTIVITIES

Economic

Africa

General. The Zambian Foreign Minister, Congo's Prime Minister, and trade officials from Burundi and Tanzania visited China during March. (Unclassified)

Algeria. President Boumedienne attended ceremonies marking the launching of the first vessel constructed at the Polish-built pilot shipyard in Oran. The small shipyard was designed to train Algerians for a larger shipyard now being constructed under Polish credits provided in 1973. (Unclassified)

The Algerian Secretary of State for Planning traveled to Moscow to negotiate an agreement on further Soviet assistance to irrigation projects. Meetings will be conducted within the framework of the Algerian-Soviet joint committee. (Unclassified)

Dahomey. The President of Dahomey has called upon the USSR to apply, in practical concrete terms, the cooperation agreements currently in force between

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the two countries. The President told the Soviet ambassador that he wished to see these accords implemented within the next few months. Dahomey's Foreign Minister departed for discussions in Moscow in late March. The President also reviewed the status of aid programs with the Chinese ambassador. In 1972, China provided \$44 million in development credits to Dahomey. Chinese technicians already have begun surveys for a cigarette factory and a stadium under the agreement. (For Official Use Only)

Ethiopia. An Ethiopian delegation visited Bulgaria, Czechoslovakia, and Romania to seek assistance for development projects. Although the three countries expressed support for Ethiopian plans, no new economic commitments were made. (Unclassified)

Equatorial Guinea. A trade mission from Equatorial Guinea was in Peking during the month, presumably to negotiate exchanges for 1975. (Unclassified)

Ghana. Ghana and Bulgaria signed a new 5-year trade agreement on 27 March that eliminates barter accounts in favor of hard currency settlements. Over the past few years, Ghana has signed similar agreements with several East European countries. (Unclassified)

Guinea. Guinea and China signed their annual protocol on trade for 1975, as well as an agreement on commodities to be imported under existing credits to support Chinese project activity. (Unclassified)

Morocco. The USSR is to provide technical assistance to Morocco's merchant marine under an agreement signed in March. Soviet navigators and engineers will train local personnel aboard Moroccan merchant ships. (Unclassified)

Mozambique. China has promised financial and technical assistance to Mozambique after it gains independence on 25 June 1975. (For Official Use Only)

A Romanian delegation was in Mozambique in late March to attend the first working session of a mixed commission for economic cooperation set up in December 1974. (For Official Use Only)

Sudan. The Sudanese-Chinese protocol for 1975 calls for balanced trade of \$82.8 million, of which \$37.5 million represents Sudanese cotton exports. Sudan will import textiles, construction materials, sugar, and other commodities. Settlements are to be made in hard currency. (Unclassified)

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Tunisia. Tunisia's Prime Minister departed for Peking on 30 March for substantive discussions on implementation of projects under China's \$40 million credit agreement. (For Official Use Only)

East Asia

Indonesia. The USSR purchased 38,000 tons of rubber directly under its 1974 trade agreement with Indonesia, compared with 11,000 tons in the previous year. Moscow has offered to buy 50,000 to 60,000 tons in 1975. Soviet machinery exports to Indonesia quadrupled in 1974 over 1973. The USSR is supplying machinery and equipment for at least three textile mills. (Unclassified)

Singapore. The Singapore delegation that visited Peking recently reportedly obtained Chinese agreement to work toward redressing the trade imbalance between the two countries, which favors China. A Chinese delegation will be sent to Singapore soon to discuss the question. (Confidential)

Latin America

General. Chinese economic and trade exhibitions opened in Jamaica and Panama City during March. (Unclassified)

Costa Rica. The Costa Rican Prime Minister traveled to Romania in March to discuss the development of economic cooperation and expansion of trade. (Unclassified)

Guyana. Guyana's Prime Minister concluded talks in Romania on 7 March with the signing of an agreement on economic and technical cooperation, and a protocol on Romanian assistance for geology, mining, and oil. (Unclassified)

Mexico. Mexico announced plans to negotiate a technical agreement with China to exchange experts in agriculture. (Unclassified)

Peru. Bulgaria and Peru agreed to set up a joint economic committee to plan development activity under a \$10 million Bulgarian credit extended in 1971. (Unclassified)

Near East and South Asia

Bangladesh. Bangladesh has been invited to send a five-man delegation to the April Canton Fair with a detailed list of proposed exports. (Secret No Foreign Dissem)

The USSR and Bangladesh are studying establishment of a joint fishing venture in the Bay of Bengal. The USSR would supply equipment and training for the venture. (Unclassified)

Egypt. A new rolling mill delivered by East Germany to the metal fabrication complex at Abu Zaibal will begin trial operations soon. The old facility was destroyed by Israeli aircraft in 1970. (Unclassified)

An Egyptian economic committee led by the Economic Cooperation Minister left Cairo for discussions in Poland and Romania on the setting up of joint projects in Egypt. The two countries have been active in Egypt's mineral, petroleum, and light industrial development under credits totaling almost \$260 million. (Unclassified)

Greece. The Bulgarian-Greek trade agreement signed in late February calls for valuation of goods against a basket of European currencies rather than gold and raises the swing limit to \$5 million. The agreement calls for \$110 million in trade, a 50% increase over that in 1974. (Unclassified)

Iraq. Expansion of activity in agriculture, food processing, and land reclamation are on the agenda of the seventh session of the Bulgarian-Iraqi joint economic committee meeting scheduled at Sofia in late March. Bulgaria is to construct six food processing plants under a 1970 credit. (Unclassified)

Pakistan. Hungary will set up an experimental water supply plant in Pakistan in conjunction with an offer of technical assistance for a hydrological survey of underground water resources for irrigation, as well as water supply units. No financial arrangements were announced. (Unclassified)

South Yemen. An East German delegation was in South Yemen during March to select a site for a model cotton farm, to be established under an agricultural agreement signed last year. (Unclassified)

Sri Lanka. On 14 March, Prime Minister Bandaranaike officially inaugurated the Pugoda textile mill constructed with Chinese assistance. Work on the \$1.6 million plant started in 1965 but ceased when the government changed. The project was reinitiated in 1971, and Peking agreed to construct an associated finishing mill. In addition to the Pugoda complex, Peking plans to build an \$8 million textile complex at Minneriya under existing credits. (Unclassified)

Turkey. On 12 March, Turkey and the USSR signed a 1975 protocol calling for a trade turnover of \$180 million, about the same level as actual exchanges in 1973. However, in recent years Soviet-Turkish trade has exceeded planned levels by \$20-\$30 million annually. (Unclassified)

Military

Near East and South Asia

India. The results of Soviet Defense Minister Grechko's visit to India in late February are not known, but the supply of large combat ships, minesweepers, and ground forces equipment was discussed. New Delhi turned down Soviet requests to permit establishment of Russian air and naval bases in India. (Confidential)

Sri Lanka. Seven Sri Lanka navy personnel began a six-month course in the USSR prior to delivery of a naval training vessel offered to Colombo by the USSR last November. (Confidential)



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